

# Queensland Cattle Industry Biosecurity Fund: Have your say

This consultation paper has been released to allow those involved in the state's cattle industry to have a say in the development of the Queensland Cattle Industry Biosecurity Fund including the proposed voluntary industry levy.

This consultation paper has been developed by the Department of Agriculture, Fisheries and Forestry (DAFF) in conjunction with an industry-led advisory committee.

Your input will be valuable in helping the Interim Industry Advisory Committee and the Government make final decisions about the Fund and its administration.

## How to provide feedback

Feedback can be submitted online at the Get Involved website, [www.getinvolved.qld.gov.au](http://www.getinvolved.qld.gov.au)

Alternatively, submissions can be also made by email or post.

### Email

Download a copy of the survey form from the Biosecurity Queensland website, [www.biosecurity.qld.gov.au](http://www.biosecurity.qld.gov.au)

When completed, scan and email to [cattlefund@daff.qld.gov.au](mailto:cattlefund@daff.qld.gov.au)

### Post

Attention: Director, Animal Industries

GPO Box 46

Brisbane Qld 4000

For assistance with any of the above options, please call **13 25 23**.

Closing date for feedback is **5pm, Friday 7 June 2013**.

## Assistance package now available for BJD affected producers

The Queensland Government has made \$2 million in seed funding immediately available to assist producers directly affected by the current BJD response in Queensland. To view eligibility criteria or apply for assistance, go to [www.qraa.qld.gov.au](http://www.qraa.qld.gov.au) or phone **1800 623 946** (Freecall). This assistance will be available from 31 May 2013.

## Overview

In January this year, the Premier and the Minister for Agriculture, Fisheries and Forestry announced \$5 million in funding to kick-start the Queensland Cattle Industry Biosecurity Fund. This included a \$2 million grant and a loan of up to \$3 million to be matched dollar-for-dollar by cattle producers through a voluntary industry levy.

This funding is for two purposes:

1. To provide immediate assistance to producers that have been affected by the current response to bovine Johne's disease (BJD), and
2. To establish an ongoing industry funding scheme to ensure that monetary support is available for future disease incidents.

The Fund will allow the cattle industry to effectively self fund responses to future biosecurity incidents of the type illustrated by the current BJD event. The Queensland Government's role is to facilitate that to happen, by working with industry to put the fund in place.

The Minister has appointed a small number of industry leaders to provide advice and help guide the development of the Fund. This Interim Industry Advisory Committee includes Mr Peter Milne (Board Chairman, Animal Health Australia), Mr Howard Smith (Cattle President, AgForce), Mr John Croaker (General Manager, Australian Brahman Breeders Association) and Ms Georgie Somerset (Board member, QRAA).

The interim committee have worked with DAFF on developing the Fund, as outlined in this document, to make sure it will deliver what industry needs.

This Fund will be reliant on a voluntary levy. As such everyone in the cattle industry has the opportunity to have their say on how it will operate, and how much the contribution rate should be. That is why this consultation paper has been released for broader industry feedback.

## Who will benefit from this fund?

The Queensland cattle industry has a lot to gain by maintaining high biosecurity standards. Queensland has a five star reputation for disease-free production that enables us to access some of the most sensitive export markets in the world and underpins our export industry that is worth more than \$3 billion each year.

This reputation benefits the whole cattle industry – from breeders, backgrounders, feedlotters and studs through to transporters, sales agents, processors and exporters.

Some diseases and pests are already covered under national industry and Government cost sharing arrangements for national disease eradication programs. This includes serious exotic diseases such as foot and mouth disease and bovine spongiform encephalopathy (BSE). It is not proposed that the Queensland Cattle Industry Biosecurity Fund will duplicate any of these arrangements.

The Fund would be of most benefit in providing assistance for diseases and pests outside of the national arrangements. For example, diseases and pests that are endemic in other states but not present in Queensland, or diseases and pests that are unique to Queensland because of our climate or industry practices.

The \$5 million funding was a result of intensive discussions with industry around providing assistance for producers impacted by these types of disease and pest incidents – in particular, immediate assistance to deal with the current response to BJD.

Industry and Government do not expect individual producers to bear the cost of control programs, such as for the current bovine Johne's disease response, that ultimately benefit all in the cattle industry.

An industry Fund would allow every Queensland cattle producer, including both dairy and beef producers, to make a small voluntary contribution each year in order to be a participant of the industry funding scheme.

Those contributions will be placed in the Fund and held. In the unfortunate event that we have a future biosecurity incident, like we have seen with bovine Johne's disease, the Fund will provide assistance back to producers who contributed to it.

Queensland has half of the nation's cattle herd and around 20,000 individual cattle producers that transact around 4 million cattle each year. This gives enormous potential to harness the power of this vast industry and collectively

invest in its future. The large number of cattle producers also means individual contributions can be kept to an affordable level.

South Australia and Western Australia already have similar funds in place. Western Australia is currently using their fund to assist producers affected by the same bovine Johne's disease event that we are facing here in Queensland. These other states also use their funds to undertake surveillance and other programs agreed to by industry.

In summary, the Fund will provide:

- an avenue to address biosecurity needs not covered by existing arrangements
- Queensland-specific funding (as opposed to existing national schemes) that can focus on Queensland industry issues
- a low cost form of 'insurance' to producers who participate in the Fund, in the event that a particular property might become affected by pests or diseases
- assistance to help industry accelerate the resolution of pest and disease incursions to ensure continued market access for the benefit of the whole Queensland industry, and
- an incentive for producers to come forward when they suspect a disease in their herd.

## How would the fund be managed?

To ensure industry has a strong say in how the Fund operates, management advice will be provided through an Industry Management Committee.

The Industry Management Committee will provide advice to Government on decisions such as setting the rate of the levy and deciding how funds should be spent.

The Industry Management Committee will be appointed through an industry-led process.

The Minister will appoint an industry selection committee to oversee an open call for nominations and conduct a selection process.

The framework for selection will aim to ensure broad representation of the livestock industry across the supply chain. An emphasis on representation of levy payers will be achieved by requiring at least three of the committee members to be cattle producers.

Once the process is complete, the industry selection committee will recommend six members to the Minister for appointment to the Industry Management Committee. The Minister will also appoint an independent chair.

## How will the levy rate be set?

The levy rate will be set by the Minister every two years, based on advice from the Industry Management Committee.

In setting the levy rate, the Industry Management Committee will be required to consider:

- the affordability of the levy for producers, and
- the amount of funding industry needs to fulfil any commitments for assistance programs or other work programs.

Any proposal to increase the levy rate will require industry consultation and the committee must provide the Minister with evidence of industry support for the increase.

Proposals to reduce the levy or reinstate the levy rate to a previous level will not require industry consultation.

If necessary, the Industry Management Committee may request a review of the levy rate outside of the normal two-year period, for example in response to a disease incursion.

## How will the funds be spent?

Producers will be making voluntary contributions via a transaction levy, and these monies will be held in the Fund. The Industry Management Committee will make recommendations about how funds are spent, and each year will submit a program of work to the Minister. This program of work must relate to cattle biosecurity and can include

disease response assistance programs, such as providing assistance to BJD affected producers, or other programs required because of a market failure or genuine need for services.

It is not proposed to limit the Fund to specific pests or diseases. The Industry Management Committee would have discretion to decide which pests and diseases warrant action, and what this action should be, on a case-by-case basis according to industry needs at any point in time.

For example, programs could be established to provide financial assistance for producers required to slaughter cattle or under long-term quarantine as part of a disease response. This reduces the impact on individual producers of maintaining Queensland's disease free status and encourages producers to come forward if they suspect a disease in their herd.

## Where has funding come from?

The Queensland Government has committed funding to establish the Fund. This is comprised of:

- A **\$2 million grant** as a one off start up payment to make the Fund solvent and enable funds to be immediately available for the current BJD incursion. This funding is being held in a separate account and initially will be used to assist producers impacted by BJD. Any funds remaining after BJD assistance has been finalised, will be rolled back into the Cattle Industry Biosecurity Fund.
- A **\$3 million interest free loan** to match industry contributions dollar for dollar. Access to this loan will be contingent on industry contributions via a voluntary levy. Repayment of the \$3 million loan will be subject to conditions that will allow the Fund to reach a critical mass and meet commitments under the BJD assistance program, prior to repayments commencing. Conditions of the repayments will be:
  1. no repayment until \$8 million deposited into Fund
  2. minimum Fund balance of \$5 million before repayment
  3. maximum repayment of \$0.5 million per year, and
  4. repayment not to exceed nett revenue in any one year.

These loan repayment terms will allow the Fund to maintain a healthy balance sheet to carry out programs and deliver services to its participants.

## Industry contributions via a transaction levy

Government will not be making ongoing contributions to the Fund. The Fund is set up to provide benefits back to industry, and it is therefore appropriate that Industry contributes to the Fund to ensure its continued operation.

Industry feedback to date has been supportive of a transaction-based levy to collect industry contributions. A transaction levy would be payable every time cattle change ownership - similar to the way that the existing Meat and Livestock Australia (MLA) levy is collected. It is envisaged that the transaction levy will appear on the sales receipts as a separate line item identified as the producer's contribution to the Queensland Cattle Industry Biosecurity Fund.

Producers would have the levy deducted from their sale price when cattle are sold. Purchasers of cattle such as agents and processors would be responsible for forwarding the levy onto the Queensland Government. For sales that are not made to a processor or cattle agent, the seller of the cattle must forward the levy onto the Queensland Government directly.

Interim tax advice provided to DAFF suggests that the levy will not attract GST, and that the payment of the levy will be a business cost and therefore could be tax deductible.

The advantages of a transaction-based levy are:

1. It is a fair way to collect the levy across the cattle industry because it applies whenever cattle are bought or sold along the supply chain.
2. The amount paid is proportional to the number of cattle traded.
3. This approach could reduce administrative burden by mirroring the existing MLA levy.

Feedback from industry to date has indicated a strong preference for collection of the levy to ‘piggyback’ on the existing cattle transaction levy collected by the Australian Government. The Queensland Government and the Australian Government are working together to explore the feasibility of the Australian Government collecting the transaction levy as an administrative service, with the associated administration costs of this service to be paid to the Australian Government. This would avoid the need for the Queensland Government to duplicate the existing transaction levy process and should provide cost efficiencies to industry.

## Example levy rates

The levy rate can be set at any level determined by the Industry Management Committee. There are 4.5 million cattle transactions paid by Queensland-based producers per year which could attract a levy. However, as some producers may choose to opt out, levies may not be paid on all of these transactions. Based on an opt out rate of approximately 10% of transactions, example levy rates in the range of \$0.50 - \$0.70 would raise between \$2 million and \$2.8 million per year.

Example levy rate options	Funds raised per annum (based on 4 million transactions where a levy is applied*)
\$0.50	\$2.0 million
\$0.60	\$2.4 million
\$0.70	\$2.8 million

\* A transaction which would attract this levy would include all transactions on which the Federal Government Cattle and Livestock Transaction Levy is currently paid. Queensland transactions reflect those paid from a Queensland post code but may not reflect actual Queensland cattle transactions. To account for an unknown number of producers who will choose to opt out, levies on 0.5 million transactions are assumed to be refunded.

## Funding for the first four years

The Fund will need enough incoming revenue to cover its costs as well as provide services to participants. Funds may be required for:

- assistance payments to cover losses or costs, expenses resulting from disease or pests impacting on cattle (including the destruction of cattle)
- costs of programs for the control of a disease or pest impacting on cattle
- repayment of contributions to producers who opt out
- reasonable administration expenses for the Industry Management Committee
- administration expenses, and
- repayment of loans to the Fund (if repayment conditions are met).

Current modelling of the number of properties likely to be affected by the current BJD event indicates costs of \$12.2 million to provide assistance over the next four years.

A levy rate between \$0.50 – \$0.70 will ensure the Fund can meet the minimum requirements of the current BJD Assistance Program and ensure industry is equipped to continue to provide assistance to those producers impacted by BJD.

The following is an example of revenue for the Fund in first four years of operation:

#### Levy rate option 1 – \$0.50

	Industry contribution	Government contribution	Government loan	Total each year
2013/14		\$2 million		\$2 million
2014/15	\$2 million		\$2 million	\$4 million
2015/16	\$2 million		\$1 million	\$3 million
2016/17	\$2 million			\$2 million
<b>Total first four years</b>				<b>\$11 million</b>

#### Levy rate option 2 – \$0.60

	Industry contribution	Government contribution	Government loan	Total each year
2013/14		\$2 million		\$2 million
2014/15	\$2.4 million		\$3 million	\$5.4 million
2015/16	\$2.4 million			\$2.4 million
2016/17	\$2.4 million			\$2.4 million
<b>Total first four years</b>				<b>\$12.2 million</b>

#### Levy rate option 3 – \$0.70

	Industry contribution	Government contribution	Government loan	Total each year
2013/14		\$2 million		\$2 million
2014/15	\$2.8 million		\$3 million	\$5.8 million
2015/16	\$2.8 million			\$2.8 million
2016/17	\$2.8 million			\$2.8 million
<b>Total first four years</b>				<b>\$13.4 million</b>

## Who would be eligible to benefit from the fund?

Producers must be contributing to the fund to be eligible for benefits.

Contributions made in any given year will provide eligibility for benefits in the following year. For example, contributions made in 2014/15 will mean a producer is eligible for benefits in 2015/16.

Producers will need to keep evidence of their contributions, such as bills of sale that show the contribution has been deducted, so that they can demonstrate they are a paid up participant of the fund if they need to claim benefits.

A voluntary industry Fund can only work if producers that benefit have supported the Fund by making regular contributions. To encourage regular contributions, producers that opt out will be ineligible to receive benefits from the Fund until they have contributed for two consecutive years.

One of the benefits to industry provided by the Fund is that it encourages producers to come forward if they suspect a disease in their herd. To support this, a person may not be eligible to receive any benefits or services from the Fund if the person has failed to:

- notify the relevant authorities that the animal was visibly affected by the disease
- follow a written direction by the relevant authority, and that failure was the probable cause of the animal being affected by the disease
- comply with cattle mandatory cattle movement and health requirements, or
- take reasonable steps to minimise the risk of cattle being affected by the disease including when introducing new cattle into a herd.

As a general principle, producers affected by a disease must comply with biosecurity requirements and take reasonable actions to minimise the impact of the disease on their business to be eligible for financial assistance. For example, producers seeking assistance under the BJD program will need to have a Property Disease Investigation Plan in place.

## Can producers opt out of the fund?

Contributing to the Fund is voluntary and producers will be able to make a business decision about whether they wish to participate based on whether they wish to be eligible for the services and benefits offered by the Fund. Any producer who fails to pay the levy will not be eligible for Fund benefits.

To opt out, producers will need to submit a refund request at the end of the year, which will make them ineligible to receive any benefits from the Fund for two years. Requests to opt out will require copies of receipts for any contributions paid that year. The contributions will be paid back including any interest gained.

To become eligible again, the producer will need to recommence paying contributions the following year even though they are ineligible for benefits. This is similar to a 'no-claim' period under an insurance scheme and will provide an incentive for producers to make regular contributions to the Fund. When the two year ineligibility period expires, the producer will be eligible to claim benefits again.

### Example:

A cattle producer plans to sell 500 head of cattle in a year. Based on a levy rate of \$0.50, the producer will pay \$250 in contributions via the transaction levy.

The producer decides to opt out and submits a request at the end of the financial year before the cut off date, including their receipts showing the \$250 in contributions. They will be refunded the \$250 plus any interest. They will receive a notification confirming that they have opted out and that they will be ineligible for benefits from the Fund for two years.

They can rejoin the Fund in the following year by not opting out, however they will need to wait until the two year period expires before they are eligible to make any claims for benefits from the Fund.

## Will there be an introductory period?

In the first year of the fund (2014/15), all producers will be eligible for benefits on the basis that they will make contributions during the year.

For the first year only:

1. Producers may receive a benefit despite failing to provide evidence of some or all of their contributions.
2. Any producer who receives benefits from the Fund cannot obtain a refund.
3. Conversely any person that doesn't receive a benefit in the first year can apply for a refund.

## Is this a tax?

The Queensland Government is firm in its resolve to ensure that the voluntary levy operates as a fee for service. Funds raised by the levy will not go into general Government revenue – they will be held in a separate account and will be used to provide services to industry.

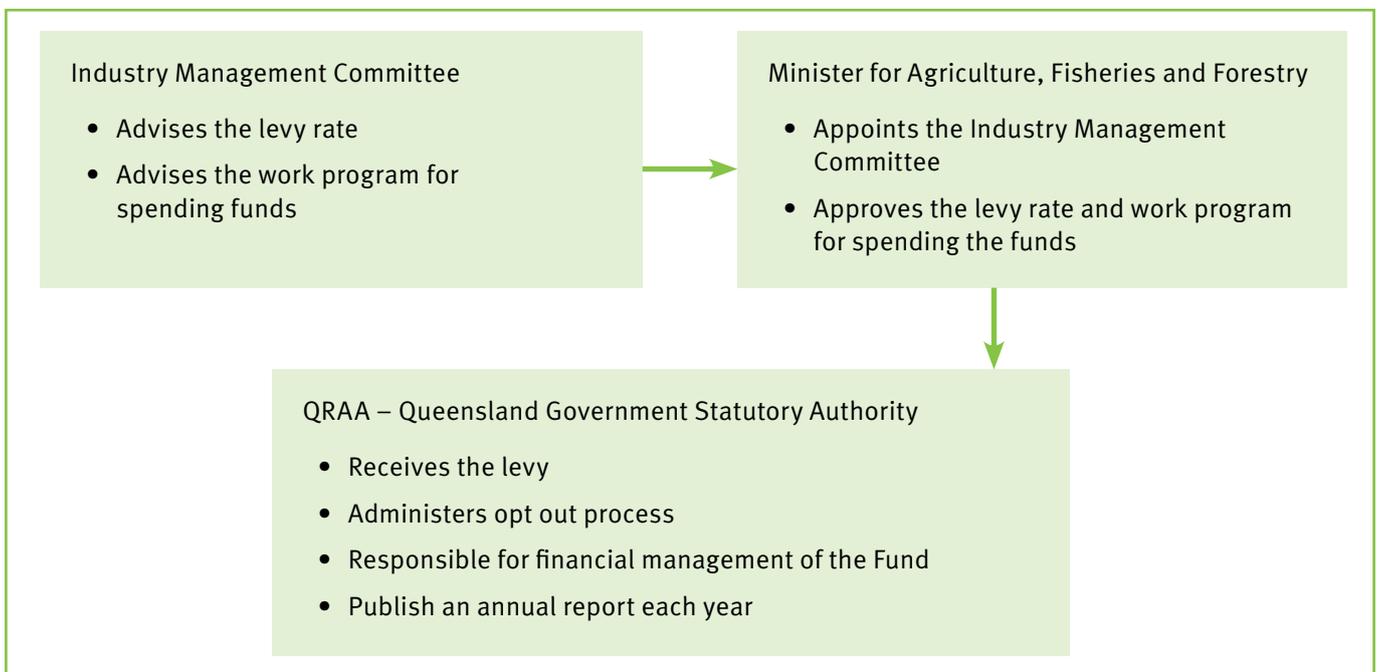
## How will the Fund be administered?

Operation of the Fund and collection of the levy will not be subsidised by Government – industry will need to cover any costs of administration.

The Queensland Government has a statutory authority – QRAA – that is a specialist in providing services to Queensland’s rural industries and primary producers. QRAA is proposed to administer the Fund in a transparent and accountable manner and provide refunds to producers who opt out.

QRAA reports to the Minister for Agriculture, Fisheries and Forestry. The Minister would provide QRAA with instructions about how to manage the Fund based on advice from the Industry Management Committee (see figure 1).

**Figure 1 – Proposed administration and governance responsibilities for the Fund**



Over time, Government may support migration to a more fully industry controlled model such as administration of the Fund by a board of trustees or an appropriate industry organisation.

However, it would not be cost efficient to create a new stand alone Government body at this time as the functions to hold funds and provide assistance programs to the rural sector are already available through QRAA. Creating a new body to do this would duplicate many aspects of QRAA’s function.

## Next steps

Industry submissions close on Friday 31 May 2013. The Queensland Government will review all submissions and consider any changes that need to be made in conjunction with the Interim Industry Advisory Committee.

Discussions with processors and sales agents will be undertaken in mid-2013 to further develop the details of the levy collection arrangements.

In mid-late 2013 the Minister for Agriculture, Fisheries and Forestry will introduce a bill to Parliament to establish the legislative authority required to initiate the levy and the Fund.

Once the bill has been passed, the Minister will be able to commence the process to appoint the Industry Management Committee and progress regulations to commence the levy at the start of the 2014/15 financial year.

## Queensland Cattle Industry Biosecurity Fund: Have your say

The Queensland Government is currently consulting on the Queensland Cattle Industry Biosecurity Fund.

This questionnaire focuses on the voluntary levy and the management and administration of the industry Fund as outlined in the consultation paper.

This survey can be completed online at the Get Involved website, [www.getinvolved.qld.gov.au](http://www.getinvolved.qld.gov.au) by **5pm, Friday 7 June 2013**.

Alternatively, submissions can be also made by email or post.

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Attention: Director, Animal Industries  
GPO Box 46  
Brisbane Qld 4000

For assistance with any of the above options please contact **13 25 23**.

## Section 1 – Fund and levy operations (mandatory section)

**Question 1. Do you agree, in principle, that industry should have a voluntary levy?**

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

**Question 2. Do you agree that it should be voluntary to participate in the Fund?**

- Yes
- No
- Unsure

**Question 3. What do you think would be an appropriate cattle transaction levy rate?**

- \$0.50 per head
- \$0.60 per head
- \$0.70 per head
- Other

**If selected other, please state what amount.**

**Question 4. Do you think the Fund in Queensland should be collected the same way as the National Cattle Transaction Levy (MLA levy)?**

- Yes
- No
- Unsure

**Question 5. Do you agree that an Industry Management Committee should provide advice to Government about management of the Fund?**

- Yes
- No
- Unsure

## **Section 2 – Fund participation (optional section)**

**Question 6. How are you involved with the cattle industry?**

- Commercial cattle producer
- Stud cattle producer
- Dairy farmer
- Cattle sales agent
- Processor
- Live exporter
- Representative organisation
- Other

**Question 7. Do you have private insurance against biosecurity issues?**

- Yes
- No
- Unsure

**If yes, please state what kind of insurance.**

**Question 8. If your business was directly affected by a disease outbreak, would you apply to access the Fund for assistance?**

- Very Likely
- Somewhat likely
- Neutral
- Somewhat unlikely
- Very unlikely

**Question 9. Please rank which factors are most important in deciding if you would participate in the Fund?**

- The fairness in collecting the funds
- The process of deciding how the funds get used
- The projects that the fund may be used for
- The information available to producers about accessing the Fund

**Question 10. Would you participate in the Fund?**

- Yes
- No
- Unsure

**If you answered no, please explain what the Fund should contain that would encourage you to participate. For example, would you contribute to the Fund if it covered a specific biosecurity issue?**

**Question 11. Would you be more or less likely to participate in the Fund if you have a large number of cattle or conduct a high number of cattle transactions?**

- Very Likely
- Somewhat likely
- Neutral
- Somewhat unlikely
- Very unlikely

**Question 12. Would you be more likely to participate in the Fund if you believe your property was exposed to a biosecurity risk? (For example, your neighbours also graze cattle)**

- Yes
- No
- Unsure

**If you selected yes, please explain what biosecurity risks you are concerned about.**

**Question 13. If you believed there was a biosecurity issue in relation to the herd on your property, would you be more willing to report this risk to authorities if a Fund were in place?**

- Yes
- No
- Unsure
- Having a Fund would have no bearing on reporting

**Question 14. Do you have any further comments?**

**Thank you for participating in the survey.**